# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

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In the Matters of	)	FCC
Federal-State Joint Board on Universal	)	CC Docket No. 96-45
Service Seeks Comment On the Merits of	)	
Using Auctions to Determine High-Cost	)	WC Docket No. 05-337
Universal Service Support	)	
	)	

# COMMENTS of the SMALL COMPANY COMMITTEE OF THE LOUISIANA TELECOMMUNICATIONS ASSOCIATION

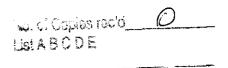
### Louisiana Rural Telephone Companies

Cameron Telephone Company, LLC Campti-Pleasant Hill Telephone Co., Inc. CenturyTel of Chatham, LLC CenturyTel of Central Louisiana, LLC CenturyTel of East Louisiana, LLC CenturyTel of Evangeline, LLC Century Tel of North Louisiana, LLC CenturyTel of Northwest Louisiana, Inc. CenturyTel of Ringgold, LLC CenturyTel of Southeast Louisiana, Inc. CenturyTel of Southwest Louisiana, LLC Delcambre Telephone Co., Inc. East Ascension Telephone Co., LLC Elizabeth Telephone Company, LLC Kaplan Telephone Co., Inc. Lafourche Telephone Co., LLC Northeast Louisiana Telephone Co., Inc. Reserve Telephone Co., Inc. Star Telephone Co., Inc.

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October 10, 2006

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#### **SUMMARY**

The goal of universal service as embodied in federal law since the passage of the Communications Act of 1934 is that all Americans, regardless of location, have access to affordable and high quality communication services. The existing federal high-cost support mechanisms for rural telephone companies have been successful in achieving this goal. Adopting a competitive bidding process for allocating federal high-cost support would jeopardize the continued availability of high-quality and affordable services in the rural areas of the Nation.

A competitive bidding process will put at risk the network upgrades and service quality improvements in rural areas of the Nation. In many rural communities, only the rural incumbent network is ubiquitous. Without the rural incumbent network, no services - from basic local dial tone to advanced telecommunications services - would be available to rural consumers. If rural telephone companies cannot depend on support needed over a long enough period to recover their network investments, entire communities could be at risk of loss of service.

Additionally, a competitive bidding process for allocating federal high-cost support would cause service quality problems. Without "sufficient and predictable" funding of the one ubiquitous and "last resort" network, incentives for any carrier to invest in infrastructure and service quality diminish.

Moreover, a competitive bidding process applied to all carriers in a market is administratively unworkable. With so much variability between rural markets and between states, it would be administratively difficult to develop national criteria for the

area to be served, the services to be offered, the performance criteria, or the rates at which service should be provided.

Finally, any reforms designed to limit or slow the unnecessary growth in the rural high-cost program should be directed at the cause of the problem. In high-cost rural areas, where service provision is expensive for even one provider, competitive ETCs should not receive unlimited funding on the basis of the ILEC's costs. Therefore, the Joint Board should recommend that the identical support rule for competitive ETCs in rural service areas be eliminated and that support for these carriers be limited, verifiable and cost-supported.

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# COMMENTS of the SMALL COMPANY COMMITTEE OF THE LOUISIANA TELECOMMUNICATIONS ASSOCIATION Louisiana Rural Telephone Companies

#### I. INTRODUCTION

The Small Company Committee of the Louisiana Telecommunications Association (the "SCC") hereby submits these comments in response to the Federal-State Joint Board on Universal Service ("Joint Board") Public Notice, released August 11, 2006. The Public Notice seeks comment on the use of competitive bidding, also referred to as reverse auctions, to determine eligibility for high-cost universal service support as well as carriers' funding levels. For the reasons set forth below, the SCC recommends against the use of a competitive bidding process.

<sup>&</sup>lt;sup>1</sup> Federal-State Joint Board on Universal Service Seeks Comment on the Merits of Using Auctions to Determine High-Cost Universal Service Support, CC Docket No. 96-45, WC Docket No. 05-337, Public Notice, FCC 06J-1 (rel. Aug. 11, 2006) (Public Notice).

The SCC of the Louisiana Telecommunications Association is comprised of the Rural Telephone Companies (47 U.S.C. §153(37)) providing service in the rural areas of Louisiana.<sup>2</sup>

The statutory goals for universal service are to ensure that all Americans have access to high-quality telecommunications services at affordable rates, and that the rates and services in rural areas are reasonably comparable to those in urban areas.<sup>3</sup> The Communications Act of 1934, as amended (the "Act"), clearly states that universal service support should be specific, predictable and sufficient to achieve these goals.<sup>4</sup> Moreover, universal service policies should not merely preserve a minimal level of service, but promote the deployment of advanced telecommunications and information services to all Americans. Sections 214(e) and 254 of the Act require that, in rural areas, the Commission give priority to preserving and promoting universal service.

The rural telephone company members of the SCC provide a wide array of high quality communications services, on a universal basis, to rural consumers in Louisiana. The service areas covered by the members of the SCC make up approximately 40% of the geographic territory of Louisiana but only 8% of Louisiana's total number of access lines. The SCC members are subject to minimum service quality requirements, and are required to respond to requests for service from any portion of their historically designated service areas pursuant to state commission regulation. Accordingly, the SCC

<sup>&</sup>lt;sup>2</sup> The SCC is comprised of the following Louisiana rural telephone companies: Cameron Telephone Company, LLC, Campti-Pleasant Hill Telephone Co., Inc., CenturyTel of Chatham, LLC, CenturyTel of Central Louisiana, LLC, CenturyTel of East Louisiana, LLC, CenturyTel of Evangeline, LLC, CenturyTel of North Louisiana, LLC, CenturyTel of Northwest Louisiana, Inc., CenturyTel of Ringgold, LLC, CenturyTel of Southeast Louisiana, Inc., CenturyTel of Southwest Louisiana, LLC, Delcambre Telephone Co., Inc., East Ascension Telephone Co., LLC, Elizabeth Telephone Company, LLC, Kaplan Telephone Co., Inc., Lafourche Telephone Co., LLC, Northeast Louisiana Telephone Co., Inc., Reserve Telephone Co., Inc., and Star Telephone Co., Inc. <sup>3</sup> 47 U.S.C. §§ 254(b)(1), (b)(3).

<sup>&</sup>lt;sup>4</sup> *Id.* § 254(b)(5).

members have deployed their networks to ensure that service is available to all known inhabited rural residences in some of Louisiana's most remote and difficult to serve areas. The provision of a robust infrastructure and high-quality and affordable services in these areas would never have been possible were it not for the Nation's long-established policy of universal service and the respective state and federal universal service funds.

Therefore, if the rural telephone companies lose the ability to continue providing services at affordable rates, then some rural areas in Louisiana may be deprived of basic service. Such an outcome would be at odds with the universal service principles of Congress codified in the Act.

The Joint Board seeks comment on the feasibility and appropriateness of utilizing a competitive bidding process to allocate universal service support to rural carriers. In the short term, such a mechanism may reduce the size of the rural high-cost fund. However, over time, it can be expected to widen the digital divide, and reduce the availability of high-quality, advanced services in the rural areas of the Nation. By destabilizing rural telephone company support over the long term, a competitive bidding process will not achieve the goals of universal service.

Additionally, a reverse auction process applied to all carriers in a specific rural market will not provide adequate support to ensure that Americans in rural areas will have access to quality, affordable and evolving technologies that are widely available to consumers in metropolitan markets. The ubiquitous reach of the incumbent network in rural markets mandates that the rural incumbent, as the only entity with carrier of last resort obligations, continue to receive support.

SCC Comments October 10, 2006 BR.473928.1 WC Docket No. 05-337 FCC 06J-1

<sup>&</sup>lt;sup>5</sup> See generally Public Notice.

Finally, in order to address the unnecessary growth in the rural high-cost program, the Joint Board should recommend that support for competitive ETCs in rural service areas be limited, verifiable and cost-supported. As opposed to implementing a competitive bidding mechanism, by simply eliminating the identical support rule for competitive ETCs, the Commission could place the rural high-cost program back on track to sustainability, while preserving the part of the program that is successful and accountable to the public.

## II. COMPETITIVE BIDDING FOR UNIVERSAL SERVICE HAS BEEN CONSIDERED AND REJECTED BY THE COMMISSION

Beginning in 1996, the Joint Board sought comment on the feasibility of a competitive bidding mechanism in this context.<sup>6</sup> The Joint Board determined that the record was insufficient at that time to adopt any particular competitive bidding mechanism.<sup>7</sup> The Joint Board recommended that the Commission "continue to investigate how to structure a fair and effective competitive bidding system," and that any such system should be competitively neutral.<sup>8</sup> Agreeing with the Joint Board, the Commission rejected adoption of a competitive bidding mechanism.<sup>9</sup> Because of its "limited utility," the Commission emphasized it would thoroughly examine the complex issues involved in developing a competitive bidding mechanism before rushing to adopt such procedures.<sup>10</sup>

<sup>&</sup>lt;sup>6</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Recommended Decision, 12 FCC Rcd 87 (1996).

<sup>&</sup>lt;sup>7</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 12 FCC Rcd 8776, ¶ 320 (1997) ("Universal Service First Report and Order").

<sup>&</sup>lt;sup>8</sup> *Id*. ¶ 321.

<sup>&</sup>lt;sup>9</sup> *Id.* ¶ 324

<sup>&</sup>lt;sup>10</sup> Id.

Among these issues, the Commission identified several potential problems that may be associated with an auction mechanism.<sup>11</sup> For example, rules or restrictions may need to be imposed to prevent collusion between bidders and to prevent excessively low bids to drive out competitors. 12 Moreover, the Commission questioned whether there would be a need for additional quality of service standards where support levels were set by competitive bidding. 13 Intending to address these issues in a FNPRM, the Commission however has not subsequently explored the concept in detail except in the tribal lands proceeding. 14 In that proceeding, the Commission sought comment on using auctions to promote subscribership and infrastructure deployment on tribal lands, but ultimately did not adopt that approach. 15 The Joint Board considered this issue again in 2003. The record developed in response to that inquiry pointed out the many difficulties and risks of an auction approach.

The conclusion that a competitive bidding mechanism applied to all carriers in a market would have limited utility remains equally compelling today, and the same troubling questions warrant thorough consideration once again. In many rural areas, the public interest is best served by a single provider receiving government support. 17 vet

<sup>&</sup>lt;sup>11</sup> Id. at ¶ 324 FN 819.

<sup>&</sup>lt;sup>12</sup> *Id*.

<sup>14</sup> Public Notice ¶ 3, 14. See also Federal-State Joint Board on Universal Service; Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, CC Docket No. 96-45. Further Notice of Proposed Rulemaking, 14 FCC Rcd 21177, ¶ 93-114 (1999); Federal-State Joint Board on Universal Service; Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, CC Docket No. 96-45 Twelfth Report and Order, Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking, 15 FCC Rcd 12208 (2000).

<sup>&</sup>lt;sup>16</sup> Federal-State Joint Board on Universal Service Seeks Comment on Certain of the Commission's Rules Relating to High-Cost Universal Service Support and the ETC Designation Process, CC Docket No. 96-45, Public Notice, 18 F.C.C.R. 1941 ¶ 20 (2003).

<sup>&</sup>lt;sup>17</sup> In a March 2003 speech, Commissioner Martin reiterated his past and continued concerns with the use of universal service high-cost funds to support competition and multiple ETCs in rural areas:

multiple competitive ETCs are being funded without any serious attempt to determine how they use the money to advance universal service. In high-cost rural areas, where services are expensive for even one provider, competitive ETCs should not receive unlimited funding on the basis of the ILECs' costs. As described below, limiting support to competitive ETCs on the basis of their own costs is the best way to reduce overall growth in the high-cost fund. Responsible administration of competitive ETC support, with meaningful cost and other accountability requirements, are the most effective and least disruptive ways to reduce the burdens of high-cost funding on consumers.

# III. THE USE OF COMPETITIVE BIDDING IN RURAL SERVICE AREAS JEOPARDIZES THE CONTINUED AVAILABILITY OF "REASONABLY COMPARABLE" SERVICES AND RATES TO RURAL CONSUMERS

The Act charges the Joint Board and the Commission with developing the necessary support mechanisms consistent with its goals of preservation and advancement of universal service. Among the goals established by the Act are (i) ensuring that all Americans have access to "quality services at just, reasonable, and affordable rates," and (ii) promoting the deployment of advanced telecommunications and information services in all regions of the Nation. 19

According to the Act, "Consumers in all regions of the Nation, including lowincome consumers and those in rural, insular, and high cost areas, should have access to

When the FCC adopted its MAG order, I publicly questioned the use of universal service support as a means of creating "competition" in high cost areas. In expressing this concern, I questioned the wisdom of a policy that subsidized multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. I also warned that this policy may make it difficult for any one carrier to achieve economies of scale necessary to serve all of the customers in a rural area, leading to inefficient and/or stranded investment and a ballooning service fund. Recent data appears to verify the urgency of this issue.

Remarks by Kevin J. Martin, Federal Communications Commission, to the Santa Fe Conference of the Center for Public Utilities Advisory Council, Santa Fe, New Mexico, March 18, 2003.

<sup>&</sup>lt;sup>18</sup> 47 U.S.C. § 254(b).

<sup>&</sup>lt;sup>19</sup> *Id.* § 254(b)(1), (2).

telecommunications and information services . . . that are reasonable comparable to those services provided in urban areas, and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas."<sup>20</sup> Further, support must be "specific, predicable and sufficient" to preserve and advance universal service.<sup>21</sup>

The existing support mechanism for rural ILECs, based on embedded costs, has been achieving the Act's universal service objectives. As the Joint Board again considers competitive bidding as a potential funding mechanism for universal service, it is required to consider the impact on the preservation and advancement of universal service.

Competitive bidding would discourage necessary network investments. Telecommunications networks require large investments in long-lived infrastructure. Without a reasonable expectation that these costs can be recovered, investments will not be made. If the remainder of an auction term is not long enough to recover the cost of a needed network upgrade, it is likely that a carrier will be unwilling to make the investment, fearing that it may not win the next auction and will be unable to recover the costs.

Advanced telecommunications services require high-quality infrastructure. If a bidder constrained to lower its costs declined to make the necessary investment to build, maintain and upgrade the infrastructure in a rural area, consumers there could suffer from second-rate service and the unavailability of certain options for years afterwards. The risk of such harm to rural communities is unacceptable.

Additionally, if the Joint Board's goal is ensuring that service is cost-effective, a competitive bidding mechanism applied to all carriers misses the mark. Rural customers

<sup>&</sup>lt;sup>20</sup> *Id.* § 254(b)(3). <sup>21</sup> *Id.* § 254(b)(5).

today rely on practically ubiquitous ILEC networks, even where they obtain services from carriers other than the ILEC. Rural ILEC networks provide the necessary transport and termination in rural markets, without which little broadband or wireless service would be available.

Moreover, the FCC and states have been auditing ILECs' costs and monitoring their quality of service for decades, and require ILECs to follow detailed cost-accounting rules. <sup>22</sup> In contrast, competitive ETCs are not subject to cost accounting or reporting rules. An auction system would create administrative burdens, and risk declining service quality, without giving regulators meaningful insight into whether the support is being used for the purposes for which it is intended. A competitive bidding system for all carriers in a market would have the affect of jettisoning state and federal oversight of service quality for price regulation, and ultimately relying on price competition to ensure universal service.

In sum, the use of competitive bidding in rural service areas would jeopardize future network investment and place at significant risk the continued availability of "reasonably comparable" services and rates to rural consumers.

See generally 47 C.F.R. §§ 36.611-36.631 (rules applicable to ILEC justification of high-cost support); see http://www.universalservice.org/hc/components/loop.asp (USAC description of the process for reporting and obtaining high-cost support, including the considerable delay between expenditures and receipt of support).

# IV. COMPETITIVE BIDDING FOR AWARDING SUPPORT TO THE LOWEST BIDDER WOULD SET OFF A "RACE TO THE BOTTOM" AND RELEGATE RURAL COMMUNITIES TO INFERIOR SERVICE

#### A. Service Quality Problems Would Arise Under a Competitive Bidding System

As suggested by the Commission, quality of service issues may arise if support levels for all carriers in a market are set by competitive bidding.<sup>23</sup> Under the current scheme, the overall amount of support available to ILECs is based on the actual cost of providing services.<sup>24</sup> Under an auction system, universal service support would be based on a number determined by competitive conditions, not actual costs. Thus, any increase in costs due to enhanced service quality, investment in infrastructure, network upgrades, or line increases would go unsupported. Further, if competitive bidding diminishes the ILECs' support, ILECs will decrease investment in the network, or cease investment altogether, because the levels of support will not correspond to the costs of maintaining an entire network. This will result in a scenario where it is increasingly unlikely that current levels of service can be sustained in rural markets. Overall, a reverse auction decreases incentives for incumbents and competitors alike to invest in rural networks, thereby undermining the intent of the universal service fund and causing service problems for rural consumers.

## B. Administrative Difficulties Administering Auctions and Enforcing Performance Make a Competitive Bidding Mechanism Unworkable

In addition to service quality problems, numerous problems with administering and enforcing a competitive bidding process make such a system impracticable. As an initial matter, it will be difficult to choose "winners" based on paper representations. It may be difficult to determine what costs make up an estimate and the feasibility of the

<sup>&</sup>lt;sup>23</sup> See Universal Service First Report and Order ¶ 324 FN 819.

<sup>&</sup>lt;sup>24</sup> See 47 C.F.R. 36.631.

bid. Further, it will be difficult to compare bids from providers offering varying types and qualities of services. Service criteria would have to be developed for a variety of different technologies.

Moreover, it will be impossible to compare bids of carriers with completely different scale and scope economies because some carriers would bid to serve small areas, while others could serve large regions. For example, some carriers may be able to offer service for the proffered support level only if they also "win" the surrounding region.

The Commission has recognized that any funding mechanism for rural carriers should "use flexible inputs to accommodate the variation in cost characteristics among rural study areas due to each study area's unique population distribution." With so much variability between rural markets and between states, it would be administratively difficult to develop national criteria for the area to be served, the services to be offered, the performance criteria, or the rates at which service should be provided.

If an auction were to be administered, several issues arise with enforcing performance of the winning bid, including: verifying how support is being used, the quality of service in the near term, and quality of facilities in the long term. Under the current system, support is based on an ILEC's proof of its actual costs, which are audited, regulated, and capped. The rules are clear on what costs can be included to obtain support. In contrast, costs are divorced from support received in a reverse auction system. Thus, to ensure that funds were being used for their intended purpose, regulators would have to create enforcement mechanisms based on other criteria.

<sup>&</sup>lt;sup>25</sup> Universal Service First Report and Order ¶ 255.

Additional administrative difficulties arise in imposing carrier-of-last-resort ("COLR") responsibilities in a rural market where an ILEC is required to compete in an auction for universal service support. First, it would be infeasible for a carrier to remain the COLR in a market without receiving the necessary support. Second, it would be unclear whether the winning bidder would be required to assume COLR obligations in that market. If the COLR obligations were not assumed, the hardest-to-reach customers could potentially be left without services, and the market could be subject to the pervasive service quality and investment disincentives as discussed above.

## C. A Reverse Auction for Universal Service Funding for All Carriers May Not Meet the Requirements of the Act

In considering various auction proposals, the Joint Board also should assess what mechanisms need to be included to ensure any competitive bidding system complies with the Act. In particular, the Act requires that universal support be "specific, predicable and sufficient." Under the current process where states regulate service standards and local rates, ensuring support is "sufficient" and "predictable" is already complex. Adding a competitive bidding mechanism increases the difficulty of meeting this statutory mandate, and further disrupts a carrier's ability to plan networks and services accordingly. Because support levels will vary by auction period and will be determined by the lowest bidder, support may not be either "sufficient" or "predictable." ETCs will be unable to predict from term to term whether or how much universal service support will be available.

<sup>26</sup> 47 U.S.C. § 254(b)(5).

<sup>&</sup>lt;sup>27</sup> Universal Service First Report and Order ¶ 409 (citing to Comments of various parties).

The Act also requires telecommunications services to be affordable.<sup>28</sup> In designing the current funding mechanisms, the Commission relied on states to ensure that current rates were affordable and based the rural high-cost funding mechanism on costs. As a practical matter, most states employ geographic rate averaging and a host of different rate structures and pricing plans. Developing a uniform competitive bidding process for nationwide application across rural markets would not be workable because local rates and service areas vary so greatly by state. Consequently there would be no uniform measure of "sufficient" support.

Under the Act, state commissions have the primary responsibility for designating most ETCs.<sup>29</sup> State commissions may, in the case of an area served by a rural telephone company designate more than one common carrier as an eligible telecommunications carrier for a service area if it is consistent with the public interest.<sup>30</sup> However, it is not clear how states would be able to carry out the required public interest analysis if they were compelled to award support to the lowest bidder.

## V. THE IDENTICAL SUPPORT RULE FOR COMPETITIVE ETCs IN RURAL AREAS SHOULD BE ELIMINATED

Reform proposals to contain the unnecessary growth in the federal high-cost program should include a recommendation that federal high-cost support for competitive ETCs be limited, verifiable and cost-supported.

The identical support rule for receipt of universal service dollars is an inefficient means of awarding support to competitive ETCs that do not have similar regulatory obligations or cost. The FCC and states have been auditing ILECs' costs and monitoring

<sup>&</sup>lt;sup>28</sup> 47 U.S.C. § 254(b)(1).

<sup>&</sup>lt;sup>29</sup> 47 U.S.C. § 214(e)(1),(2).

<sup>&</sup>lt;sup>30</sup> Id. § 214(e)(1).

their quality of service for decades, and require ILECs to follow detailed cost-accounting rules.<sup>31</sup> In contrast, competitive ETCs are not subject to cost accounting or reporting rules.

Universal service support is currently allocated to ETCs on a per-line basis. Under FCC regulations, a rural ILEC is eligible to receive high-cost support if its embedded loop costs exceed 115% of the national average loop costs, with the actual level of support based on the number of loops served and the degree to which the ILEC's actual costs exceed the average cost per loop.<sup>32</sup> An additional ETC, however, is eligible to receive universal service funding without demonstrating that its costs meet this threshold. Instead, the additional ETC receives support based on the average per-line costs of the ILEC.<sup>33</sup> Ironically, as the rural ILEC makes efforts to advance universal service, it increases its own, as well as the additional ETC's funding eligibility. Each time the rural ILEC's per-loop cost rises, such as if it invests in its infrastructure, the additional ETC's per-line support also rises commensurate with the ILEC's per-line support, even if the additional ETC's own costs remain unchanged. This "spiraling" of the demands on the federal universal service fund threatens the very fund on which so many rural consumers rely.

In addition, considering the differences that exist between ILECs and competitive ETCs, the identical support rule fails to adhere to the FCC's universal service principle of

<sup>&</sup>lt;sup>31</sup> See generally 47 C.F.R. §§ 36.611 – 36-631 (rules applicable to ILEC justification of high-cost support); see <a href="http://www.universalservice.org/hc/components/loop.asp">http://www.universalservice.org/hc/components/loop.asp</a> (USAC description of the process for reporting and obtaining high-cost support, including the considerable delay between expenditures and receipt of support).

<sup>&</sup>lt;sup>32</sup> 47 C.F.R. 36.631.

<sup>&</sup>lt;sup>33</sup> 47 C.F.R. 54.307.

competitive neutrality.<sup>34</sup> As with ILECs, competitive ETCs should receive support only after expenditures are made, rather than funding promises for future investment that may or may not occur.<sup>35</sup> Where a carrier cannot show that it has invested in services to the areas for which support is intended, support should be withdrawn.

The existing rural ILEC support mechanisms, based actual embedded costs, has been highly successful in achieving its intended purpose: encouraging investment in network infrastructure that has enabled the provision of affordable, high-quality services throughout high-cost rural areas. Moreover, the existing rural support mechanism has been instrumental to the rural ILECs' ability to deploy the multi-functional infrastructure capable of providing broadband and related advanced services.

The SCC has serious concerns that the use of reverse auctions in rural service areas would needlessly abandon the embedded cost basis of support for rural ILECs. To address the unnecessary growth of the high-cost fund, the Joint Board should recommend that the identical support rule be eliminated in rural service areas and that competitive ETC support be limited, verifiable and cost-supported.

#### VI. CONCLUSION

The Joint Board should not recommend the use of reverse auctions in rural service areas. This scheme would impede the statutory goals and requirements of advancement and preservation of universal service. Such a mechanism would needlessly place at risk the continued availability of affordable, high-quality communications services, including advanced services, for many rural consumers. In addition, such a system of determining support is fraught with administrative and enforcement problems. Instead, the Joint

<sup>&</sup>lt;sup>34</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8801, ¶47 (1997).

<sup>35</sup> See generally 47 C.F.R. §§ 36.611 – 36-631 (rules applicable to ILEC justification of high-cost support).

Board should recommend the elimination of the identical support rule for competitive ETC receipt of high-cost funding in rural service areas and that support for competitive ETCs be limited, verifiable and cost-supported.

Respectfully submitted,

THE SMALL COMPANY COMMITTEE OF THE LOUISIANA TELECOMMUNICATIONS ASSOCIATION

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October 10, 2006

CERTIFICATE OF SERVICE

I, Paul F. Guarisco, hereby certify that a copy of the comments of the Small

Company Committee of the Louisiana Telecommunications Association was sent by

overnight delivery on this, the 10th day of October, 2006, to those listed in the FCC

Public Notice 06J-1.

By: /s/ Paul F. Guarisco

Paul F. Guarisco

BR.473928.1